



Chapter 1: Introduction

Strategic Plan Assumptions

This Tourism and Recreation Strategic Plan was developed using the following assumptions, which provided context to the discussions:

- Natural, cultural, and historic resources must be protected and maintained in order for tourism to be sustainable long-term.
- State, federal, and tribal land management agencies are critical partners in tourism success.
- Montana residents understand that nonresident travelers help their economy (with some tradeoffs).
- Montanans generally support increased tourism, with some limits and controls.
- Tourist-oriented facilities and experiences improve quality of life for Montanans.
- Tourism facilities and services in Montana are significantly under utilized most of the year.
- New additional competition from other destinations requires more money for promotion – and more effective use of money.
- Targeting “High value - Low impact” travelers is desirable, with high value – low impact defined as those who respect and value Montana’s natural, cultural and historic resources, and seek to enjoy them without degradation.
- Good data and information, available in a timely and useable manner, is essential for strategic tourism industry decision-making.

Strategic Plan Purpose and Process

Tourism is a \$3 Billion Industry in Montana

Tourism contributes nearly \$3 billion to Montana's economy from expenditures of nonresident visitors. Total tourism expenditures doubled from 1995 to 2005 (\$1.36 billion to \$2.7 billion), and the industry continues to grow at a healthy pace. These revenues support facilities and services that improve the quality of life in Montana.

Montana Tourism and Recreation Facilities are Underutilized

Most Montana hotels and other tourism facilities are underutilized much of the year: there were more than 4.6 million vacant hotel room nights in 2006, particularly November through April, based on a statewide year-round hotel occupancy rate of 59.5% (national average is 64%).¹ If filled, those vacant hotel rooms would have generated \$309 million in revenue, and \$21.7 million in lodging taxes, based on the 2006 average room rate in Montana of \$67.73 per night (national average is \$95.64). The underutilization creates instability in tourism industry revenues and jobs, and affects other sectors of Montana's economy.

U.S. and Global Tourism is Increasingly Competitive

Moreover, while overall nonresident visitation increased from 2001 to 2005, Montana lost market share among Destination Vacation travelers.² Every year, another 2,000 communities in the U.S. and Canada pursue tourism as a priority strategy. Of the 425 counties in the western U.S., 409 of them promote outdoor recreation as their primary tourism draw. Countries around the world are investing millions to attract tourists. Montana needs to regain competitiveness by improving its marketing reach, targeting niche markets to boost visitation among high value, low impact visitors, and by addressing the issue of underutilization in off-peak seasons.

Strategic Plan Specifies Actions for Sustainable Tourism

The purpose of this Tourism and Recreation Strategic Plan is to:

- ◆ Serve as a blueprint for a strategic, integrated approach to tourism development and marketing
- ◆ Confirm priorities to focus resources
- ◆ Balance Montana's tourism promotion efforts, products, and partnerships
- ◆ Assign responsibilities for implementation
- ◆ Identify funding sources to pay for actions
- ◆ Measure results and return on investment.

Tourism is a Key Component of Economic Development

Tourism attracts new revenues and business investment in Montana through promoting a positive image of the state, showcasing its quality of life and people, and generating increased visitor spending. But economic development must be strategic.

2006 Montana Tourism Fast Facts

- ◆ Nonresident visitors: 10.4 million
- ◆ Expenditures: \$2.9 billion
- ◆ Seasons: 70% visit Apr-Sept, 30% visit Oct-Mar
- ◆ Reason for Trip: 34% Vacation, 27% Passing Through, 19% Visiting Friends & Family, 13% Business, 8% Shopping, 9% Other
- ◆ Origin: US - 12% WA, 10% ID, 8% WY, 7% CA, 5% ND/UT, 4% CO/MN, International - 8% CAN, 2% Overseas
- ◆ % of Travel Parties with someone age: 65+: 25%, 55-64: 35%, 55%: 35-54, 16%: 25-34, 9%: 18-24, 26%: 17 & under
- ◆ Favorite Activities: 53% Wildlife-related (4% hunting), 49% Driving for Pleasure, 44% Historic Sites/Museums (incl. Indian culture), 24% Day Hiking, 19% Shopping, 12% Fishing, 12% Camping, 11% Winter Sports, 10% Arts Events & Festivals



In 2006, there were more than 4.6 million vacant hotel room nights in Montana. If filled, those rooms would have generated \$309 million in revenue, and \$21.7 million in lodging taxes. Growth in tourism would help solve the problem of underutilization.

¹ Smith Travel Report, 2006

² Univ. of Montana Institute for Tourism & Recreation Research, 2005 *Nonresident Traveler Study*

Tourism is an essential component of Montana's economy and quality of life. This Strategic Plan provides the road map to strategic and sustainable tourism development from 2008 to 2012.

"Economic Development" is happening when³:

- ◆ The standard of living is increasing.
- ◆ A "real" increase in the level of average household income is occurring.
- ◆ The local tax base is meeting the escalating cost of government services.
- ◆ Business and industry are investing more in the community than they are "costing" the community.

As with all forms of economic development, the process of tourism development is facilitated through:

- ◆ Development of a skilled workforce
- ◆ Investment in physical infrastructure
- ◆ Creation of new jobs at higher wages
- ◆ Improvement of the business environment
- ◆ Availability of marketable land and buildings
- ◆ Protection of the environment
- ◆ Improvement of the quality of life
- ◆ Effective marketing and promotion.

In most communities, 75% of the businesses depend on wealth attracted from outside the community by the 25% of businesses with national and global markets – including tourism businesses. Tourism benefits Montana communities, and it also provides a means for social exchanges between Montanans and visitors from around the world.

Thousands of Montanans Represented in the Planning Process

The development of this Strategic Plan began in October 2006, and was completed in September 2007. Through public meetings, interviews, a statewide survey, and the Governor's Conference on Tourism, more than 1,200 Montana citizens, businesses, and organization representatives provided input. The process included four phases:

1. Information-gathering
2. Refinement of strategies and actions
3. Draft Strategic Plan document for public and stakeholder comment
4. Completion of final Strategic Plan document

The development of the Strategic Plan included extensive outreach and input from tourism and recreation stakeholders and the public. The table below shows the specific activities and timeline used to engage stakeholders in the planning process.

Montana Tourism Strategic Plan Outreach Activities

	2006		2007								
	Oct	Nov-Dec	Jan	Feb	Mar	Apr	May	Jun	Jul-Aug	Sep	Oct
Alignment Meeting with Travel Montana, Regions, CVBs, State/Federal agencies											
Public Workshops (7 statewide)											
Interviews											
Meetings with TAC, MTRI, MTTA											
Statewide Survey of Stakeholders											
Governor's Conference on Tourism (general and breakout sessions)											
Public Comments											

³ David Kolzow, PhD, *Strategic Planning for Economic Development*

Tourism Partners and Their Roles

Successful Tourism Requires Strong Public-Private-Tribal Partnerships

Tourism is a diverse industry that involves lodging and dining facilities, retail stores, transportation services, outfitters and guides, entertainment, public lands and wildlife, historic and cultural attractions, agriculture, ranching, wholesale suppliers, insurance and financial services, workforce and education services, media and publishing, architecture and construction, etc. In many Montana communities, some of these services would not exist without the money that tourism provides to support them. In order to maintain a successful tourism industry, these partners must understand each others' roles, and work together toward a common vision.

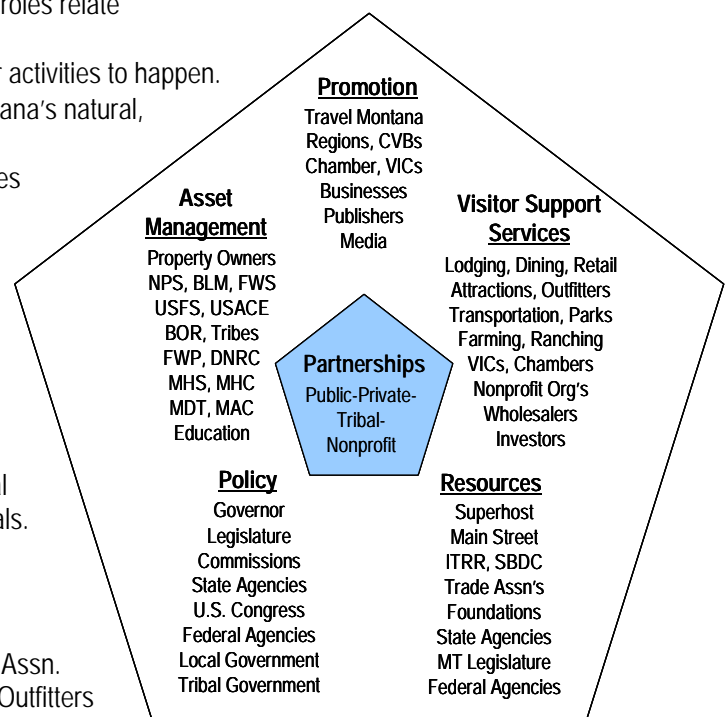
The figure at right lists the key partners involved in the Tourism & Recreation Strategic Plan implementation, and how their roles relate to each other:

- ◆ Policy-makers provide direction and authorization for activities to happen.
- ◆ Asset managers build, maintain, and/or protect Montana's natural, cultural and historic assets.
- ◆ Visitor Support services provide products and services needed by visitors to enjoy a vacation experience.
- ◆ Funding entities provide the resources to implement strategic actions.
- ◆ And finally, promotion partners communicate tourism and recreation opportunities to targeted high value, low impact visitor niche markets.

The Montana partners that fulfill those roles are shown in the figure, and listed below. As the figure shows, the focal point of success is partnerships to achieve the Plan's goals. Each of the partners plays a critical role in managing and enhancing tourism and recreation in Montana:

- ◆ Tourism businesses and industry associations: Travel Industry Assn. of Montana (TIAM), Montana Ski Areas Assn. (MSAA), Montana Innkeepers Assn. (MIKA), Montana Outfitters & Guides Assn., Fishing Outfitters Assn. of Montana (FOAM), Montana Economic Developers Assn. (MEDA), etc.
- ◆ Elected officials: state, city, county, tribal, federal
- ◆ State agencies: Dept. of Commerce Promotion Division ("Travel Montana"), Fish, Wildlife & Parks; Dept. of Transportation; Dept. of Natural Resources & Conservation; Dept. of Revenue; Historical Society; Arts Council; Heritage Commission; universities and colleges; etc.
- ◆ Tourism regions ("countries") and convention and visitor bureaus (CVBs)
- ◆ Tribal organizations: Montana Tribal Tourism Alliance (MTTA), Montana Indian Business Alliance (MIBA), and Montana Tribes.
- ◆ Federal agencies: National Park Service, U.S. Forest Service, U.S. Fish & Wildlife Service, Bureau of Land Management, U.S. Army Corps of Engineers, Bureau of Reclamation, etc.
- ◆ State and local nonprofit organizations: conservation, sportsmen, arts, historical societies, economic development, etc.

Tourism Strategic Plan Partners and Their Areas of Responsibility



Tourism Strategic Partners

Each of the partners plays a critical role in managing and enhancing tourism and recreation in Montana.



Travel Montana's overall goal is to increase:

- consumer awareness and inquiries
- economic impact
- four-season tourism revenues
- tourism promotion and development cooperation
- support and awareness for tourism
- film industry economic and job opportunities

"Montana's state tourism department does a good job but they need to continue to work with our legislature to ensure receipt of all possible funding to continue effectively market this state."

- Survey Respondent

State Promotion Division ("Travel Montana") Provides Leadership

The lead agency for tourism promotion and development in Montana is the Department of Commerce Promotion Division, or Travel Montana. Their activities include development of the State's marketing brand and image; implementation of the Tourism Marketing Plan; management of tourism web sites, publications, and databases; analysis and dissemination of market research and tourism leads; communication and coordination with the tourism industry partners and elected officials; administration of tourism-related grant programs; recruitment of the film industry; and tracking of results and return on investment of marketing funds. Specific programs are listed below, and funding allocations are shown in the figure below.

Consumer Marketing: target markets, branding, print/web/TV advertising, MT Kids!, 3Parks, Invite-A-Friend, research, co-ops, direct mail, ski campaign, Sled the Rockies, eNewsletters, partnerships for enhanced print, web and event opportunities

Electronic Marketing: consumer web sites, Oracle 'tourism' database, VICs, Siebel support/VISITS, blogs, video podcasts, photo and story/testimonial sharing, MySpace, eMarketing tourism services; partner with Regions/CVBs/Chambers on web features

Tourism Development/Education: TIIP/SEGP grants, Superhost, Governor's Conference, tourism workshops, Visitor Info Centers, Strategic Planning, MTRI/MTTA, CTAP, and support for programs managed by other agencies: Scenic Byways, Made-in-Montana, and Montana Main Street Program.

Overseas Marketing: Rocky Mtn Int'l, trade offices, tour operators/wholesalers, marketing workshops, lead generation, advertising/promo, int'l visitor tracking, direct mail, partnerships with tourism suppliers at trade shows and fam tours

Industry Services: receive/process inquiries, promotion material inventory, disburse lodging tax funds, coordinate projects, interpret/explain regs/policies, communication

Publicity/Photography: media marketing, regions/CVBs, press coverage and media team dev't, image library, media report, newsletter, media missions/themes

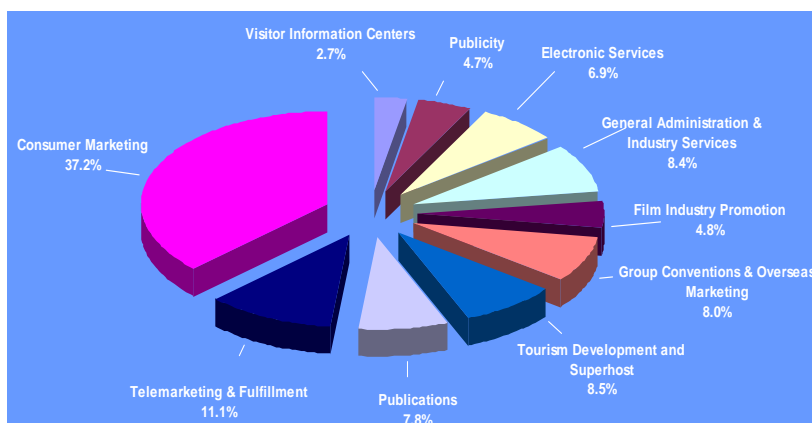
Public Information: tourism education/outreach, Tourism 101, Intranet content, e-newsletters, crisis communication, conferences, tourism fact sheets, product partners

Publications: Vacation Planner, Winter Guide, State Highway Map, Kid's Brochure, Calendar of Events, Indian Brochure, partnerships with Regions and State and Federal Agencies.

Group Travel/Meetings and Conventions: travel trade events, magazine campaign, promotions, domestic group travel, fam tours, group tour guide, meeting planners, travel journalists, Trade Show Assistance Program and Advertising Joint Venture partnerships, trade show assistance, ad campaigns, Invite-A-Convention, web site

Montana Film Office: ad campaign, sales calls, Big Sky on the Big Screen, directories, direct mail, locations trade show, co-ops, film festivals, scouting, Invite a Filmmaker to Montana program, fam trip(s), film tourism brochure

Agency Liaison: Intranet, themed-trail development initiatives, Watchable Wildlife, programs, initiatives, MTRI Working Group



Tourism Advisory Council (TAC) Provides Policy Guidance

Tourism industry advice to the Governor and Travel Montana is provided by the Montana Tourism Advisory Council (TAC), a council of business, tribal, and nonprofit sector representatives appointed by the Governor from around the state. The TAC also oversees the disbursement of lodging tax funds to tourism regions and CVBs, and to the University of Montana Institute for Tourism and Recreation Research (ITRR). The Council meets at least three times annually with Travel Montana and region/CVB staff, and other tourism partner representatives. The statutory role of the TAC is listed in the sidebar at right.

Tourism Regions Coordinate Multi-County Marketing Efforts

Geographically, Montana is divided into six regions for the purposes of tourism marketing efforts (see map below). Each region has a nonprofit tourism marketing organization headed by an executive director, and receives funds from state lodging tax collections to conduct regional marketing activities. While the majority of tax collections are generated in the state's urban counties, the regions provide support for local tourism marketing efforts in rural communities and counties, and linkages to the urban areas.

Convention & Visitor Bureaus (CVBs) Market Cities and Resort Areas

Montana communities or resort areas that generate a significant level of lodging tax can apply for designation as a CVB, allowing them to access state lodging tax funds for local marketing efforts. CVBs also typically have a local funding base from tourism-related businesses, through memberships, a local resort tax, and/or business improvement district assessment. CVB efforts are focused on sales, group and event bookings, media relations, and local tourism product development and policy issues.

Examples of Tourism Region and CVB marketing activities are listed below.

Marketing: web sites, print ads, publications, public/media relations, trade shows, cross marketing, TV ads, billboards

Groups / Meetings: fam tours, convention bids/recruitment, trade shows

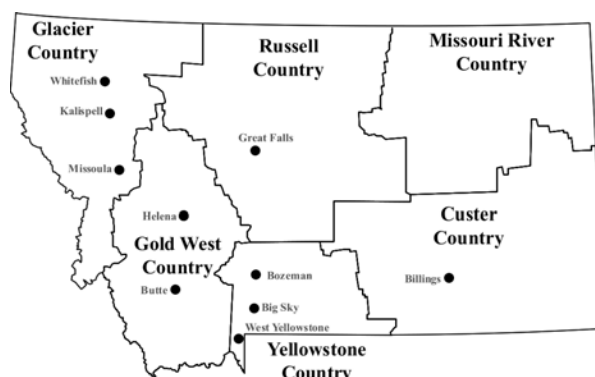
Partnerships: cross marketing with downtown & economic development associations

Customer Service: Expand visitor center hours, toll free numbers, hospitality training

Education/Outreach: Work with local officials on positive impacts of tourism

Planning: Preserve amenities, address challenges, transportation issues

Support Services: Tech support for web pages, information tracking, convention planning, crisis management, wireless Internet



Montana Tourism Advisory Council (Montana Code Annotated)

2-15-1816. Tourism advisory council.

(1) There is created a tourism advisory council.

(2) The council is composed of not less than 12 members appointed by the governor from Montana's private sector travel industry and includes at least one member from Indian tribal governments, with representation from each tourism region initially established by executive order of the governor and as may be modified by the council under subsection (5).

(3) Members of the council shall serve staggered 3-year terms, subject to replacement at the discretion of the governor. The governor shall designate four of the initial members to serve 1-year terms and four of the initial members to serve 2-year terms.

(4) The council shall:

(a) oversee distribution of funds to regional nonprofit tourism corporations for tourism promotion and to nonprofit convention and visitors bureaus in accordance with Title 15, chapter 65, part 1, and this section;

(b) advise the department of commerce relative to tourism promotion;

(c) advise the governor on significant matters relative to Montana's travel industry;

(d) prescribe allowable administrative expenses for which accommodation tax proceeds may be used by regional nonprofit tourism corporations and nonprofit convention and visitors bureaus;

(e) direct the university system regarding Montana travel research;

(f) approve all travel research programs prior to their being undertaken; and

(g) encourage regional nonprofit tourism corporations to promote tourist activities on Indian reservations in their regions.

(5) The council may modify the tourism regions established by executive order of the governor.

(6) The department of commerce shall adopt such rules as may be necessary to implement and administer Title 15, chapter 65, part 1, and this section.

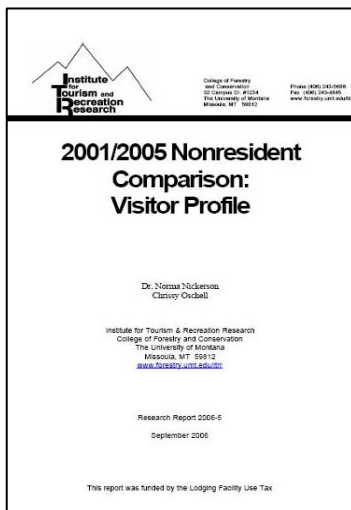


Montana Tourism & Recreation Initiative (MTRI) and Montana Tribal Tourism Alliance (MTTA) Represent State, Federal, and Tribal Partners

The MTRI is an inter-agency group of state and federal agencies, the TAC, which coordinates projects and discusses tourism and recreation-related issues that are multi-jurisdictional in nature. MTRI has two levels: the MTRI Directors Group, consisting of the Governor, state and federal agency directors, a TAC member; and the MTRI Working Group, consisting of agency staff with direct tourism and recreation program responsibility related to MTRI activities. The MTTA is a coalition of tourism and economic development representatives from Montana's eleven Indian tribes and tribal colleges (www.bigskytribes.com). MTTA works to support tourism development and promotion on Montana Indian reservations, and to coordinate efforts with state and regional tourism partners.

Institute for Tourism & Recreation Research (ITRR) Provides Market Intelligence to Inform Tourism and Recreation Decisions

A portion of state lodging tax collections (2.5% of funds available for distribution) are allocated to the Montana university system for tourism and recreation-related research. This dedicated fund provides a stable and ongoing program to generate data and analyses that are critical to Montana tourism and recreation industry partners, and to policy-makers, to make good decisions. The research includes information about nonresident visitors, the economic impact of tourism, resident attitudes and opinions about tourism, economic impact of specific events, etc. Research reports are posted online (www.itrr.umt.edu), and presented at state and local conferences statewide.



Travel Industry Association of Montana (TIAM) Provides Advocacy

TIAM is an industry trade association made up of businesses, attractions, and associations related to tourism and recreation. Many members of TIAM also are members of specific sector associations such as Innkeepers, Restaurants, Retailers, Outfitters, Ski Areas, Dude Ranchers, etc. TIAM provides a forum for all sectors of the industry to reach consensus on policy issues and provide advocacy for the industry.

Nonprofit Organizations Provide Support for Key Projects and Issues

There are hundreds of nonprofit organizations, societies, clubs, and councils statewide that are involved in tourism and recreation activities. They range from conservation organizations to sportsmen's clubs, trail users to historical societies, arts councils to private pilots associations. All of these organizations and their members are involved in aspects of tourism and recreation, and serve as important partners for tourism marketing and asset management initiatives.

Funding for Montana Tourism & Recreation

Montana Lodging Tax Provides \$16+ Million for Tourism, State Parks, Historic Preservation, Arts & Culture, and Community Infrastructure

Tourism and recreation activities in Montana receive a significant amount of funding – \$16+ million in 2007 – from a 4% tax collected on lodging facility sales statewide (hotels, B&Bs, condos, RV parks, etc.).⁴ Of that, about 58% (\$9.3 million) was used for State tourism marketing efforts, including about \$3.3 million for advertising. Another 22% (\$3.5 million) was used for tourism region and CVB tourism marketing efforts.

Nearly 8.5% was spent on funding for historic preservation, community arts and wildlife conservation/education programs (\$1.8 million to Montana Historical Society and Heritage Preservation Commission, and \$416,000 to Tourism Infrastructure Improvement and Special Events Grant and tribal grant programs). Montana State Parks received about 6% of the funds (\$995,000), and another \$383,000 was provided to the University of Montana Institute for Tourism & Recreation Research. Finally, a portion of the funds support the Montana International Trade program, and administrative functions of the Department of Revenue, that collects the taxes. Additional funding for State Parks and the Historical Society are provided by general fund revenues, grants, entrance fees, etc. Additionally, other state and federal agencies, nonprofit organizations, and business and land owners invest millions annually on tourism and recreation-related facilities and services.

As the table below indicates, lodging tax collections rose nearly 39% from 2001 to 2007, and are projected to rise another 7% in 2008. However, in 2007 Montana ranked 31st among State Tourism Offices in total spending on tourism marketing, with a State Tourism budget of \$9.5 million (includes some private sources for co-op advertising).⁵ The national average spending among State tourism offices is \$15.3 million (50 states reporting).

Tourism Infrastructure Investment Program (TIIP)

1995 – 2006

\$2.4 million invested

56 projects

37 MT communities

Summary by Category

- ◆ Historic Preservation
\$1.37 m (56% of total)
- ◆ Arts Facilities
\$471,037 (19 % of total)
- ◆ Wildlife Education/Conservation
\$348,418 (14% of total)
- ◆ Sport Event Facilities
\$276,325 (11% of total)

Lodging tax collections rose nearly 39% from 2001 to 2007, and are projected to grow another 7% in 2008.

Uses of Montana Lodging Tax	(projected) FY 2007/08	FY 2006/07	FY 2000/01
Tourism Promotion, Dev't & Staff:			
Dept. of Commerce**	\$9,914,573	\$9,280,975	\$6,294,078
Tourism Regions/CVBs (17-2007/08; 16-2001)	\$3,778,512	\$3,544,179	\$2,446,680
Community Grants (DOC)	\$416,000	\$280,000	\$280,000
Tourism/rec'n Infrast., Events, Tribal Grants			
MT Fish, Wildlife & Parks	\$1,062,681	\$994,985	\$706,819
MT Historical Society	\$618,452	\$674,637	\$674,702
Collection, L&C Bicentennial			
MT Heritage Preservation	\$400,000	\$400,000	\$400,000
& Development Commission			
Acquire/manage historic property			
University of Montana / ITRR - Research	\$408,724	\$382,687	\$271,853
MT International Trade Program (DOC)	\$150,000	\$150,000	\$200,000
Agency Lodging Reimbursement	\$222,862	\$209,004	\$150,014
State employee lodging			
Department of Revenue	\$171,432	\$160,772	\$115,395
Tax collection/admin/enforcement			
TOTAL	\$17,143,236	\$16,077,239	\$11,539,541
** Montana advertising spending:	\$4.6 million	\$3.3 million	

⁴ Montana's total lodging tax is 7%: 4% is distributed as describe above, and 3% goes to the State General Fund.

⁵ Tourism Industry Association (TIA) 2006-2007 Survey of U.S. State and Territory Tourism Office Budgets

By leveraging the public and private dollars in more coordinated and target efforts, Montana can extend its reach and effectiveness in tourism marketing.

Tourism Infrastructure Investment Program (TIIP)

1995 – 2006

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Summary by Category

Historic Preservation – 56%

Art Facilities – 19%

Wildlife Educ/Conserv. – 14%

Sport Event Facilities – 11%

Summary by Region:

Russell - \$654,956

Glacier - \$459,762

Missouri River - \$421,503

Custer - \$377,757

Gold West - \$346,007

Yellowstone - \$208,026



Special Event Grant Program (SEGP)

2002 - 2006

\$301,000 Invested

45 Grants

33 MT communities

Summary by Region:

Yellowstone - \$80,425

Gold West - \$65,450

Glacier - \$50,815

Custer - \$37,900

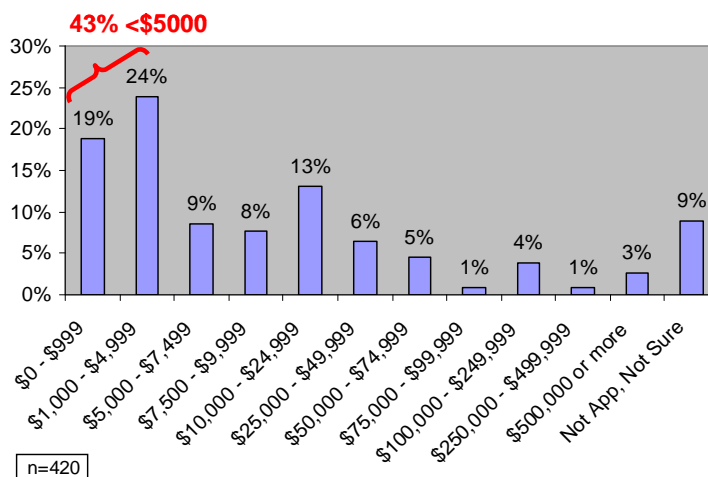
Missouri River - \$36,740

Russell - \$29,425

Businesses and Attractions Spend \$60 Million on Tourism Marketing

In addition to state, regional, and CVB marketing efforts, individual businesses, corporations, and attractions spend \$60 million or more annually on tourism marketing, according to estimates based on responses from 420 respondents to a question on a statewide survey. The chart below shows the ranges of spending by the survey respondents. Of the total, more than \$10 million is spent to attract nonresident visitors to Montana. By leveraging the public and private dollars in more coordinated and target efforts, Montana can extend its reach and effectiveness in tourism marketing.

Annual Tourism Marketing Budgets of Survey Respondents, 2007



Lodging Taxes Provide Funding for Local Historic Preservation, Arts Events, Wildlife Conservation/Education, and Sports Event Development

Two programs from the Montana Commerce Department have invested nearly \$2.8 million in tourism development since 1995 through infrastructure improvement for historic preservation, arts, and sport facility construction/renovation, wildlife education/conservation facilities, and event/festival assistance.

The Tourism Infrastructure Investment Program (TIIP) grants are designed to invest lodging tax funds into 'brick and mortar' projects that strengthen Montana's appeal as a visitor destination, and encourage current visitors to extend their stays. Historic preservation projects have received the most funding, followed by arts facilities.

Another Montana Commerce Department tourism grant funding opportunity is the Special Event Grant Program (SEGP). In its four years of operation, \$301,000 of lodging tax funds were invested via 45 grants to 33 communities, supporting quilt shows, music events, book fairs, fish fries, stampedes, etc. The SEGP program has provided \$50,000 to \$80,000 in grants to communities annually.

The next chapter summarizes Montana tourism and recreation assets and trends, including growth in tourism both nationally and in Montana.